

Statement of Mr. Abram Paley  
Deputy Special Envoy for Iran  
House Committee on Financial Services  
Subcommittee on Oversight and Investigations  
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Chairman Huizenga, Ranking Member Green, members of the committee. Thank you for inviting us here today. My name is Abram Paley, and I am the Deputy Special Envoy for Iran at the State Department. We welcome this opportunity to discuss Iran, one of the most persistent threats we face as a country.

The Biden Administration views Iran as an adversary and the leading state sponsor of terrorism.

We are clear-eyed about Iran and will continue to take the actions necessary to counter the threats it poses. And our approach is framed within this context. Across the federal government, we are confronting Iran and pushing back against its destabilizing activities. We are coordinating closely with allies and partners to enhance our already strong military deterrent, we are implementing biting sanctions and economic pressure, and we are utilizing strategic messaging to make clear Iran's behavior will not be tolerated, will be punished, and that Tehran will continue to be treated as a pariah on the international stage absent a shift in its policies.

This resolve in countering Iran has been on full display, especially since the horrific Hamas terrorist attacks on Israel on October 7, the subsequent attacks by Iranian-backed proxies on U.S. personnel and facilities in the region, and the Iran-enabled Houthi attacks on Israel and on commercial shipping in the Red Sea. We view Iran as complicit in Hamas's barbaric terrorist attack on Israel and the attacks against us and our interests by its proxies, and we will continue to hold it accountable. The President and the Secretary of State have been unequivocal about our support for Israel and Israel's right to defend itself against terrorism. Our bolstered presence in the region, including two aircraft carrier groups, has sent a clear message that this is not a time to take advantage of the situation. President Biden has shown he is prepared to defend U.S. personnel and interests time and time again, including through a series of self-defense strikes against facilities in Syria and Iraq utilized by Iran's Islamic Revolutionary Guard Corps (IRGC) and Iran-affiliated groups in response to continued attacks against U.S. personnel. As we have emphasized in our public and private messaging, we do not seek conflict with Iran, but we will not hesitate to take further measures to protect our people, if necessary.

The Biden Administration has also been consistent in our efforts to counter Iran's longstanding support for Hamas, Hizballah, the Houthis, and militia groups in Iraq and Syria. We have minced no words in calling out Iran for enabling and empowering these groups. On top of our already incredibly robust sanctions regime, we have designated for sanctions individuals and entities involved in facilitating the October 7 terrorist attacks and perpetuating the brutality advanced by the regime in Tehran. We have not lifted any sanctions and have continued to work to expand deterrence and pressure. And we have stood with partners and allies across the globe to draw attention to and condemn the destabilizing behavior of Iran and its proxies and partners.

While our priority right now remains supporting Israel, countering Iran's support for terrorism in the region, and addressing the humanitarian situation in Gaza, we also continue to counter the full range of the Iranian regime's activities that are antithetical to our interests and values.

We are confronting the Iranian regime's lethal plotting against current and former U.S. officials as well as the transnational repression of dissidents, journalists, human rights defenders, including on U.S. soil. The Administration has made clear that we will spare no effort in opposing these provocations, deterring these activities, and working across our government to counter these threats.

We are using all of the tools at our disposal to expose and disrupt Iran's expanding military partnership with Russia, alongside our allies and partners. Because of our efforts to shine a light on Iran's provision of support to Russia, the world knows Iran has provided Russia with significant numbers of UAVs, guided aerial bombs, and artillery ammunition, which Russia has used to attack Ukraine and kill Ukrainian civilians. And we have already taken a range of steps, including imposing and enforcing numerous U.S. sanctions designations on entities involved in this military partnership and working with partners like the EU to expand the scope of their sanctions authorities and designations.

We are standing with the people of Iran in the face of continued oppression and violence. As the citizens of Iran fight for a free and democratic future, we are working to lift up their voices, keep them connected to the world, and band together with countries across the world to hold the regime accountable for its human rights abuses.

On the nuclear front, President Biden is absolutely committed to never allowing Iran to acquire a nuclear weapon and has been clear that we remain postured and prepared to use all appropriate measures to do so.

Iran's continued use of unjust detention of our fellow citizens for political leverage also represents a threat to Americans and the world. And that is why we continue to stress in our messaging to all Americans: Do not go to Iran. Unfortunately, our longstanding warnings have not always been heeded, and since day one, President Biden and Secretary Blinken have been clear that there is no higher priority is the safety and security of Americans. The Administration stands by our deal that brought five innocent Americans and two of their family members home. This deal was about reuniting these Americans with their loved ones. As part of this arrangement, we facilitated the transfer of \$6 billion in restricted Iranian funds held in South Korea to restricted accounts in Qatar, for humanitarian use only – meaning food, medicine, medical devices, and agricultural commodities – a bipartisan carveout in our sanctions regimes going back several administrations that reflects core U.S. values.

Not a penny of this money has been spent and these funds will not go anywhere anytime soon. Just as a reminder, this was not a payment of any kind and these were not U.S. dollars. They were not taxpayer dollars. These funds are subject to some of the strictest due diligence restrictions ever developed. If Iran tries to divert these funds, we will take action.

Most importantly, this does not change anything about our approach to Iran. We remain clear eyed about the challenge we face when it comes to Iran. Iran remains an adversary and we will continue to confront it as such.

This is also the case with the waiver that the Secretary of State signed on November 14, which is the 21<sup>st</sup> such waiver across multiple administrations for Iraq to pay for electricity imports into restricted Iranian accounts held in Iraq for another 120 days. This waiver is at its core about supporting Iraq's energy independence. Under these waivers, no money has been or will be permitted to enter Iran. And any notion to the contrary is false and misleading. These funds, including those held outside of Iraq, can only be used for the purchase of food, agricultural commodities, medicine, medical devices, and other non-sanctionable transactions. Without this waiver, Iraq would not be able to provide the electricity its people need. In the last two years, the government of Iraq has made significant progress towards energy independence, with this Administration's direct encouragement. We are strongly supporting Iraq's efforts to be energy independent. To become energy independent, Iraq must invest in upgrading its domestic gas production and processing facilities while attracting foreign investors. Prime Minister Sudani has undertaken significant efforts to reduce Iraq's reliance on Iranian energy import, including a significant project finalized earlier this year with French firm Total Energies, which could also involve U.S. firm Honeywell. While Prime Minister Sudani is actively facilitating these efforts, Iraq's transition to energy independence is in reality a long-term project. Iraq will not wean itself off Iranian energy imports overnight. For that reason, this waiver has continued to be necessary.

The waiver has also authorized the movement of Iran's funds held in Iraq to restricted accounts in third countries, where again they are to be locked up and only used for humanitarian and other non-sanctionable purposes. U.S. policy for decades has sought to ensure that U.S. sanctions do not prevent humanitarian goods and services from flowing to the ordinary citizens of any country, no matter how objectionable their governments. As I mentioned earlier, there has long been bipartisan support for this U.S. policy of humanitarian carve-outs in our sanctions regime. And this waiver continues the precedent of previous iterations authorized under the prior administration, whereby Iran's funds held in restricted accounts in Iraq and in third countries, can only be used for that. Horse feed. Covid vaccines. Grain. That will not change.

We do not believe that restricting the availability of humanitarian goods to the Iranian people would decrease Iran's support for terrorism. Unfortunately, Iran's government has proven it will prioritize its destabilizing activities and support for terrorism regardless of the country's macroeconomic conditions, government budget, or its citizens' deteriorating standard of living. As such, to the extent that food, medicine, or other humanitarian goods flow to the Iranian people it is unlikely to free up funds that the Iranian government would otherwise have spent on those goods. Furthermore, Iran has long been aware of these restricted funds and has said publicly that it has already factored them into their budgeting. Put simply, we do not expect any change in Iran's behavior from these steps – and that is why our approach to Iran is similarly not going to change.

I will close by reaffirming the Administration's commitment to addressing Iran's continued destabilizing behavior through both unilateral actions and coordination with our partners and allies.